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Voorburg Group on Service Statistics

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Statistical Commission the report of the Voorburg Group on Service Statistics (secretariat: Denmark), which is contained in the annex to the present report. The report is transmitted to the Commission in accordance with a request of the Statistical Commission at its twenty-ninth session,[1] and a request of the Working Group on International Statistical Programmes and Coordination at its nineteenth session (see E/CN.3/1999/20, para. 13 (c)).

The Commission is invited to discuss whether the mandate of the Voorburg Group on Service Statistics, is focused and its objectives are clear and attainable. The Commission may also wish to comment on the proposals for further work. Specifically, the Commission may wish to endorse the recommendation of the Voorburg Group that an update of the Central Product Classification, Version 1.0 be undertaken for presentation to the Commission at its session to be held in 2001.

Notes

[1] See *Official Records of the Economic and Social Council, 1997, Supplement No. 4* (E/1997/24), para 19.

* E/CN.3/1999/1.

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Annex

Report of the Voorburg Group on Service Statistics

I. Introduction

1. The Voorburg Group on Service Statistics was established in 1986 by the statistical agencies of a group of countries. Although it was founded with the specific aim of assisting the United Nations Statistics Division in drafting the Central Product Classification (CPC), the fact that the Group's expertise and network of contacts could be harnessed to the wider objective of developing tools to better estimate the real product of services was very quickly recognized by the Statistical Commission. In addition to contributing to the development of the provisional CPC and CPC, Version 1.0, the Voorburg Group also designed a model survey for the Statistical Commission as a tool, both to test CPC and to collect services data based on the concepts and methodology of the production accounts of the System of National Accounting (SNA). Subsequently, an employment module was provided to the United Nations Statistics Division for the analysis of the occupational distribution of the workforce in service industries.

II. Accomplishments regarding the Central Product Classification

2. CPC, Version 1.0, as developed by the Sub-Group of the Voorburg Group, was presented to and accepted by the Statistical Commission at its twenty-ninth session. Till the end of 1997, the Sub-Group assisted the United Nations Statistics Division in refining and finalizing the explanatory notes of the classification and the concordance between the provisional CPC and CPC, Version 1.0 for publication.

3. After its acceptance by the Statistical Commission, the World Trade Organization (WTO) started to examine the suitability of CPC, Version 1.0 as a possible basis for the new round of the General Agreement on Trade in Services negotiations due to start in 2000. It had used the provisional CPC as a starting point for many of the agreements of the Uruguay round of multilateral track negotiating. The secretariat of WTO subjected the classification and the relationship between the provisional CPC and CPC, Version 1.0 to close scrutiny, and posed a large number of questions that were addressed and resolved by the Sub-Group. The Committee on Specific Commitments of WTO invited the United Nations Statistics Division and the Chairman of the Sub-Group of the Voorburg Group to explain the relationship between the two classifications at a meeting held at Geneva in October 1997. A technical note to the Division's statement to the WTO Committee on Specific Commitments was provided by the Chairman of the Sub-Group.

4. The Sub-Group and Statistics Canada also assisted the United Nations Statistics Division by undertaking the preliminary work to provide the Inter-Agency Task Force on Statistics of International Trade in Services with a table showing the relationship between CPC, Version 1.0 and the categories of the Balance of Payments extended list of services. This formed the basis for the table that will be finalized by the International Monetary Fund for the manual on statistics of international trade in services that is being produced by the Task Force.

III. Work programme for the period 1999–2001

5. At its meeting held in Rome in September 1998, the Voorburg Group undertook a review of its future work programme. It concluded that 13 years after its establishment, the statistical environment with respect to services statistics has evolved considerably. The product classification for services activities has been elaborated and CPC, Version 1.0 has just been published by the United Nations (ST/ESA/STAT/SER.M/77/Ver. 1.0). Surveys to collect and compile services statistics have been developed in many countries, opening the door for the collection and compilation of product data. For the countries of the European Union, a set of regulations covering the services sector and the harmonization of classifications, statistical units, short-term and structural business statistics have been put in place.

6. However, important issues with respect to the measurement of the real output of service products remain to be tackled, for which no other international organization or city group has taken responsibility. The Bureau of the Voorburg Group has therefore set priorities for the work of the Group by selecting certain areas of work. It proposes to draw up a detailed work programme, with a three year horizon, in each area. Each year, a report will be produced for each area of work, summarizing the conclusions of the work accomplished during the year. The areas that have been chosen are described below.

A. Classification of service products

7. The Voorburg Group would continue to contribute to the development of the services part of CPC by producing proposals for an update to CPC, Version 1.0, for submission to the United Nations Statistics Division in time for the session of the Statistical Commission to be held in 2001.

8. The Voorburg Group would propose changes to CPC, including those arising from the activities that it proposes to undertake, as described below. It would request the Sub-Group to draw up proposals from the work undertaken.

9. The Voorburg Group would also request the Sub-Group to report on its work with respect to changes required to bring together classifications of international trade in services and CPC, as well as any other proposals for change arising from work that it might undertake on the classification of information products, intellectual property and intangible assets.

B. Service product prices

10. Countries are at the initial stages of the development of service product price indices, and need to develop common methodologies for the collection of prices of CPC products. The work to be undertaken will start with business services for such products as computer consultancy services (CPC 8314), engineering services (CPC 833) and telecommunication services (CPC 841).

11. In addition to being important in its own right, the work will be very important for the development of CPC. Since the purpose of the price indices will be to deflate the estimates of output, it is important to know whether CPC, as currently developed, is suitable for the collection of both revenues and prices, or whether it needs to be modified in the light of the experience of compiling price indices.

C. Measurement of the demand for services by enterprises

12. To date, the focus in service statistics has naturally been on the supply side. But a growing need has been recognized for information on the demand for services by enterprises — both purchased and produced in-house for own consumption — in order to measure the global production of services products.

13. During the 1990s businesses have increasingly been subcontracting and outsourcing operations that they used to carry out internally. Outsourcing of services operations formerly carried out by the manufacturing enterprise shifts the demand towards specialized business services enterprises, implying a shift in employment from manufacturing to services.

14. To be comparable across countries and industries, it will be useful to define product groupings of purchased services in terms of CPC and to develop common product groupings to collect these data.

D. Measurement of non-market services

15. There are a number of issues related to the measurement of non-market services, including the valuation and deflation of output, and the identification and collection of data concerning non-market industries as well as not-for-profit institutions belonging to the industries. The work programme of the Voorburg Group will gradually cover each of the education, health and other services sectors. This work would also be directed to making proposals for expansion or change in the categories of CPC.

16. The Voorburg Group has provided the United Nations Statistics Division with an employment module for the collection of a variety of data related to employment in the service industries. This work will be continued. Changes in the occupational distribution of the workforce of service industries will be examined, both as a potential indicator for valuing the output of non-market industries, and for adjusting the valuation for quality.

E. Additional areas

17. The above-mentioned four areas constitute the core activities of the Voorburg Group for measuring the real output of the services sector, but other areas of substantial interest, such as employment, information technology services and international trade in services,. might be treated by the Group on its annual meetings on an ad hoc basis.